

Message Text

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INFO OCT-01 ISO-00 (ISO) R

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TO AMEMBASSY TEHRAN PRIORITY

S E C R E T STATE 303084

NODIS

E.O. 11652: GDS

TAGS: IR,ENRG

SUBJECT: BILATERAL OIL AGREEMENT

FOR AMBASSADOR ONLY FROM UNDER SECRETARY ROBINSON.

1. PLEASE ADVISE ANSARY THAT WHILE SOME ASPECTS OF THE AGREEMENT WE DISCUSSED IN LONDON HAVE NOT YET BEEN RESOLVED WITHIN USG, THERE IS, UNFORTUNATELY, UNANIMITY AMONG USG LAWYERS ON ONE KEY ASPECT OF PLAN. THAT IS THAT REGULAR PROCUREMENT AUTHORITY OF DEFENSE DEPARTMENT CANNOT REPEAT NOT BE USED AS LEGAL BASIS OF PROPOSED AGREEMENT. SENIOR USG LAWYERS WHO HAD NOT BEEN CONSULTED BEFORE LONDON MEETING HAVE CONCLUDED THAT DEFENSE DEPARTMENT PROCUREMENT AUTHORITY IS LIMITED TO PURCHASE OF GOODS FOR PURPOSE OF SUPPLYING ARMED FORCES, NOT WITH INTENTION OF RESALE ON CONTINUOUS AND LARGE-SCALE BASIS. OUR PLAN UNAVOIDABLY ENTAILS SALE OF IRANIAN OIL CONTRACTS TO U.S. REFINERS FOR
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CASH. CONSEQUENTLY, LEGAL BASIS FOR UNITED STATES' ENTER-

ING INTO THE PROPOSED AGREEMENT MUST BE EITHER THE DEFENSE PRODUCTION ACT (THE PREFERRED VEHICLE) OR THE NEWLY ENACTED ENERGY ACT. BOTH EXPRESSLY REQUIRE CONGRESSIONAL ENACTMENT OF APPROPRIATION TO FUND PURCHASE/SALE PROGRAM. WE BELIEVE WE COULD PUT APPROPRIATION IN FORM OF REVOLVING FUND

AUTHORIZATION NOT INVOLVING LARGE SUMS OF MONEY OR LOSS-RESERVE ISSUES, BUT IT WOULD REQUIRE PRESENTATION TO AND ACTION BY BOTH HOUSES OF CONGRESS AND THEREFORE COULD NOT BE COMPLETED BEFORE END OF FEBRUARY, POSSIBLY LATER.

2. PLEASE CONVEY TO MINISTER OUR DEEP REGRET THAT OUR EARLIER ADVICE, REFLECTED IN LONDON DISCUSSION, OFFERED PROMISE OF INITIATING PROGRAM WITHOUT DELAY OR CONGRESSIONAL DEBATE. IT WAS ONLY AFTER LONDON MEETING THAT PARTICIPATION IN PLANNING WAS BROADENED TO INCLUDE DEFENSE DEPARTMENT LEGAL SPECIALISTS.

3. WE CONTINUE TO PURSUE RESOLUTION OF REMAINING ISSUES WITHIN USG, LOOKING TO EARLY TRANSMISSION OF FIRM PROPOSAL AND NEGOTIATIONS TOWARD AGREEMENT DATED IN JANUARY 1976. MEANWHILE WE WOULD APPRECIATE MINISTER ANSARY'S COMMENT AS TO WHETHER PROPOSAL INCLUDING APPROPRIATION FEATURE OUTLINED ABOVE IS FEASIBLE FROM THE VIEWPOINT OF THE GOVERNMENT OF IRAN. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, AGREEMENTS, GOVERNMENT BUDGET, ARMS, PROCUREMENT, CENTRAL LEGISLATURE, DIPLOMATIC COMMUNICATIONS, CAT-B
Control Number: n/a
Copy: SINGLE
Draft Date: 24 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE303084
Document Source: CORE
Document Unique ID: 00
Drafter: RMPOATS
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: P850012-2228
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751213/aaaaalks.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN NODS
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: NODIS
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: NODIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 25 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 JUN 2003 by ElyME>; APPROVED <06 NOV 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BILATERAL OIL AGREEMENT
TAGS: ENRG, IR, (ANSARY, HUSHANG), (KISSINGER, HENRY A)
To: TEHRAN
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006